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MONTANA LEGISLATIVE HISTORY

Chapter 37 SP 11 1993

Bill H 21 S _____ Original bill & history ✓ C

H. Committee on Appropriations

Hearing Date(s) 12/01 ___C
12/06 ___C
_____ ___C
_____ ___C

Date Out _____ ___C

S. Committee on Finance & Claims

Hearing Date(s) 12/13 ___C
12/17 ___C
_____ ___C
_____ ___C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

HB 19 INTRODUCED BY BERGSAGEL

ELIMINATE THE CLEAN COAL TECHNOLOGY DEMONSTRATION FUND, PROGRAM, AND TAX EXEMPTION; TRANSFER THE FUND BALANCE FROM THE COAL SEVERANCE TAX TRUST FUND TO A LONG-RANGE BUILDING PROGRAM ACCOUNT

BY REQUEST OF OFFICE OF BUDGET & PROGRAM PLANNING AND DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

11/23	INTRODUCED		
11/23	FISCAL NOTE REQUESTED		
11/24	REFERRED TO APPROPRIATIONS		
11/25	FISCAL NOTE RECEIVED		
11/25	FISCAL NOTE PRINTED		
11/29	FIRST READING		
11/29	HEARING		
12/10	TABLED IN COMMITTEE		

HB 20 INTRODUCED BY MILLS

ELIMINATE STATE FUNDING FOR SCHOOL DISTRICT TRAFFIC EDUCATION AND MOTORCYCLE SAFETY TRAINING PROGRAMS

11/24	INTRODUCED		
11/29	REFERRED TO APPROPRIATIONS		
11/29	FIRST READING		
11/29	FISCAL NOTE REQUESTED		
12/01	HEARING		
12/07	FISCAL NOTE RECEIVED		
12/08	FISCAL NOTE PRINTED		
	DIED IN COMMITTEE		

HB 21 INTRODUCED BY PETERSON

CLARIFY DUTIES OF THE DEPARTMENT OF ADMINISTRATION TO ANNUALLY PREPARE A STATE INDIRECT COST RECOVERY PLAN FOR CERTAIN STATE AGENCIES; REQUIRE THAT STATE AGENCIES PAY THE INDIRECT COSTS IN A TIMELY MANNER

BY REQUEST OF DEPARTMENT OF ADMINISTRATION AND OFFICE OF BUDGET & PROGRAM PLANNING

11/24	INTRODUCED		
11/24	FISCAL NOTE REQUESTED		
11/24	FISCAL NOTE RECEIVED		
11/25	FISCAL NOTE PRINTED		
11/29	REFERRED TO APPROPRIATIONS		
11/29	FIRST READING		
12/01	HEARING		
12/03	REVISED FISCAL NOTE RECEIVED		
12/04	REVISED FISCAL NOTE PRINTED		
12/07	COMMITTEE REPORT—BILL PASSED AS AMENDED		
12/08	2ND READING PASSED	73	25
12/08	3RD READING PASSED	67	26
	TRANSMITTED TO SENATE		
12/09	FIRST READING		
12/09	REFERRED TO FINANCE & CLAIMS		
12/13	HEARING		
12/17	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
12/17	2ND READING CONCURRED	38	10
12/17	3RD READING CONCURRED	38	10
	RETURNED TO HOUSE WITH AMENDMENTS		
12/18	2ND READING AMENDMENTS CONCURRED	97	1

12/18	3RD READING AMENDMENTS CONCURRED	98	0
12/18	SIGNED BY SPEAKER		
12/27	SIGNED BY PRESIDENT		
12/27	TRANSMITTED TO GOVERNOR		
1/05	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 37		
	EFFECTIVE DATE: 01/05/94		

HB 22 INTRODUCED BY SONNY HANSEN

REDUCE THE BASIC ENTITLEMENT AND THE PER-ANB ENTITLEMENT FOR SCHOOL DISTRICT FUNDING BY 4.5 PERCENT; REQUIRE VOTER APPROVAL FOR THE BASE BUDGET PORTION OF A SCHOOL DISTRICT GENERAL FUND THAT EXCEEDS THE MANDATORY GROWTH LEVELS

BY REQUEST OF OFFICE OF BUDGET & PROGRAM PLANNING

11/24	INTRODUCED		
11/29	REFERRED TO EDUCATION & CULTURAL RESOURCES		
11/29	FIRST READING		
11/29	FISCAL NOTE REQUESTED		
12/01	HEARING		
12/02	COMMITTEE REPORT—BILL PASSED AS AMENDED		
12/03	FISCAL NOTE RECEIVED		
12/03	FISCAL NOTE PRINTED		
12/04	MOTION FAILED TO NOT PASS AS AMENDED ON 2ND READING	47	53
12/04	2ND READING PASSED AS AMENDED	53	47
12/04	3RD READING PASSED	53	47
	TRANSMITTED TO SENATE		
12/06	FIRST READING		
12/07	REVISED FISCAL NOTE REQUESTED		
12/11	HEARING		
12/11	REVISED FISCAL NOTE RECEIVED		
12/13	REVISED FISCAL NOTE PRINTED		
12/13	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
12/14	2ND READING CONCURRED AS AMENDED	37	13
12/14	3RD READING CONCURRED	35	15
	RETURNED TO HOUSE WITH AMENDMENTS		
12/15	2ND READING AMENDMENTS NOT CONCURRED	57	42
12/15	REVISED FISCAL NOTE REQUESTED		
12/15	REVISED FISCAL NOTE RECEIVED		
12/15	REVISED FISCAL NOTE PRINTED		
12/15	FREE CONFERENCE COMMITTEE APPOINTED		
	SENATE		
12/15	FREE CONFERENCE COMMITTEE APPOINTED		
	HOUSE		
12/18	FREE CONFERENCE COMMITTEE DISSOLVED		
12/18	2ND READING AMENDMENTS CONCURRED	51	47
12/18	3RD READING AMENDMENTS CONCURRED	50	49
12/18	SIGNED BY SPEAKER		
12/27	SIGNED BY PRESIDENT		
12/27	TRANSMITTED TO GOVERNOR		
1/04	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 38		
	EFFECTIVE DATE: 01/04/94		

HB 23 INTRODUCED BY BOHARSKI

REQUIRE THE TRUSTEES OF A SCHOOL DISTRICT TO DEDUCT 2.8 PERCENT FROM THE GENERAL FUND BUDGET FOR THE SCHOOL FISCAL YEAR ENDING 06/30/94 FOR THE PURPOSES OF BUDGETING

HOUSE BILL NO. 21

INTRODUCED BY PETERSON
BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION
AND THE OFFICE OF BUDGET AND PROGRAM PLANNING

IN THE HOUSE

NOVEMBER 29, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON APPROPRIATIONS.
	FIRST READING.
DECEMBER 7, 1993	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
	PRINTING REPORT.
DECEMBER 8, 1993	SECOND READING, DO PASS.
	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 67; NOES, 26.
	TRANSMITTED TO SENATE.

IN THE SENATE

DECEMBER 9, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON FINANCE & CLAIMS.
	FIRST READING.
DECEMBER 17, 1993	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
	SECOND READING, CONCURRED IN.
	THIRD READING, CONCURRED IN. AYES, 38; NOES, 10.
	RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

DECEMBER 18, 1993	RECEIVED FROM SENATE.
	SECOND READING, AMENDMENTS

CONCURRED IN.

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

HOUSE BILL NO. 21

INTRODUCED BY PETERSON

BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION

AND THE OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE DUTIES OF THE DEPARTMENT OF ADMINISTRATION TO ANNUALLY PREPARE A STATE INDIRECT COST RECOVERY PLAN FOR CERTAIN STATE AGENCIES; REQUIRING THAT STATE AGENCIES PAY THE INDIRECT COSTS IN A TIMELY MANNER; ESTABLISHING AN ACCOUNT INTO WHICH AMOUNTS PAID BY STATE AGENCIES UNDER THE RECOVERY PLAN AND AMOUNTS FROM FEDERAL SOURCES FOR COSTS ASSOCIATED WITH FEDERAL PROGRAMS ARE TO BE DEPOSITED; ELIMINATING THE REQUIREMENT THAT THE BOARD OF INVESTMENTS DEDUCT FROM INVESTMENT EARNINGS CERTAIN PROGRAM COSTS INCURRED BY AN AGENCY; AMENDING SECTIONS 17-3-111 AND 17-6-201, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 17-3-111, MCA, is amended to read:

"17-3-111. Indirect cost rates -- allocation. (1) Grantee agencies shall, in accordance with federal regulations and guidelines, negotiate indirect cost rates and endeavor, to the fullest extent possible, to recover indirect costs of federal assistance programs.

(2) Indirect costs recovered from federal sources pursuant to the statewide cost allocation plan provided in 17-3-110, except those costs recovered by a unit of the university system, must be deposited in the account established in [section 4]."

Section 2. Section 17-6-201, MCA, is amended to read:

"17-6-201. Unified investment program -- general provisions. (1) The unified investment program directed by Article VIII, section 13, of the 1972 Montana constitution to be provided for public funds must be administered by the board of investments in accordance with the prudent expert principle, which requires any investment manager to:

(a) discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims;

(b) diversify the holdings of each fund within the unified investment program to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and

(c) discharge the duties solely in the interest of and for the benefit of the funds forming the unified investment program.

(2) (a) Retirement funds may be invested in common stocks of any corporation, ~~provided~~ except that an investment may not be made at any time that would cause the book value of the investments in any retirement fund to exceed 50% of the book value of the fund or would cause the stock of one corporation to exceed 2% of the book value of the retirement fund.

(b) Other public funds may not be invested in private corporate capital stock. "Private corporate capital stock" means only the common stock of a corporation.

(3) (a) This section does not prevent investment in any business activity in Montana, including activities that continue existing jobs or create new jobs in Montana.

(b) The board is urged under the prudent expert principle to invest up to 3% of retirement funds in venture capital companies. Whenever possible, preference should be given to investments in those venture capital companies that demonstrate an interest in making investments in Montana.

(c) In discharging its duties, the board shall consider the preservation of purchasing power of capital during periods of high monetary inflation.

(d) The board may not make a direct loan to an individual borrower. The purchase of a loan or a portion of a loan originated by a financial institution is not considered a direct loan.

(4) The board has the primary authority to invest state funds. Except as provided in this chapter, another agency may not invest state funds, unless otherwise provided by law. The board shall direct the investment of state funds in accordance with the laws and constitution of this state. The board has the power to veto any investments made under its general supervision.

(5) The board shall:

(a) assist agencies with public money to determine if, when, and how much surplus cash is available for investment;

(b) determine the amount of surplus treasury cash to be invested;

(c) determine the type of investment to be made;

(d) prepare the claim to pay for the investment; and

(e) keep an account of the total of each investment fund and of all the investments belonging to the fund and a record of the participation of each treasury fund account in each investment fund.

(6) The board may:

(a) execute deeds of conveyance transferring all real property obtained through foreclosure of any investments purchased under the provisions of 17-6-211 when full payment has been received for the property;

(b) direct the withdrawal of any funds deposited by or for the state treasurer pursuant to 17-6-101 and 17-6-105;

(c) direct the sale of any securities in the program at their full and true value when found necessary to raise money for payments due from the treasury funds for which the securities have been purchased;

(d) expend funds needed to cover costs of necessary repairs to property owned by the board as an investment. The expenditures may be made directly by the board and are statutorily appropriated, as provided in 17-7-502. Repairs that cost in excess of $2,500 must be bid, and the bid must be awarded in compliance with existing state law and regulations. Emergency repairs may be made by the board without bid if approved by the state architect.

(7) The cost of administering and accounting for each investment fund must be deducted from the income from each fund.

(8) At the beginning of each fiscal year, the board shall, from the appropriate fund, reimburse the department of commerce for the costs of administering programs established under Title 90, chapter 3, that are not covered by payback funds available from the account established in 90-3-305.

~~(9)--(a)-The----director----of----the----department---of administration--annually--may--prepare--a---statewide---cost allocation--plan--to--distribute--program--costs-incurred-by state-agencies-that-are-funded-through-the-general--fund--to the--programs--served-by-the-agencies.-Except-as-provided-in subsection-(9)(b),--the--cost--to--an--agency--of--providing services-to-a-program-funded-through-an-account-in-the-state special--revenue--fund,--as--defined--in--17-2-102,--must-be deducted-by-the-board-from-the-account's-investment-earnings according-to-the-statewide--cost--allocation--plan.--Amounts deducted-by-the-board-must-be-credited-to-the-general-fund.~~

~~(b)--A--deduction--for--program--costs,--as--provided-in subsection-(9)(a),-may-not-be-made-if-an-account's--cash--on hand--is--pooled-for-investment-in-the-treasury-cash-account defined-in-17-6-202.~~"

NEW SECTION. **Section 3.** **State indirect cost recovery plan.** (1) The department shall annually prepare a state indirect cost recovery plan.

(a) The state indirect cost recovery plan must provide that the general government program costs that are indirectly incurred by agencies and that are funded by the general fund and by the account established in [section 4] be allocated among the agencies served by those programs.

(b) When preparing the state indirect cost recovery plan, the department shall consider the balance of funds in the account established in [section 4].

(2) Agencies required to pay costs under the state indirect cost recovery plan shall make payments in four equal installments, due no later than October 1, January 1,

March 1, and June 1 of each fiscal year, by depositing the payments into the account established in [section 4].

NEW SECTION. **Section 4. Account established for indirect costs recovered for operation of state and federal programs.** (1) There is an account in the state special revenue fund for money recovered from agencies under the state indirect cost recovery plan pursuant to [section 3] and money recovered from federal sources under the statewide cost allocation plan pursuant to 17-3-111.

(2) The money in this account must be used as appropriated by the legislature to pay for operating the programs included in the indirect cost recovery plan described in [section 3].

(3) The department shall deposit the unappropriated fund balance in the account to the general fund at the end of each biennium.

NEW SECTION. **Section 5. Codification instruction.** [Sections 3 and 4] are intended to be codified as an integral part of Title 17, chapter 1, and the provisions of Title 17, chapter 1, apply to [sections 3 and 4].

NEW SECTION. **Section 6. Effective date.** [This act] is effective on passage and approval.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15
In compliance with a written request, there is hereby submitted a Fiscal Note for HB0021, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:
Clarifies the duties of the department of administration to annually prepare a state funds indirect cost recovery plan for certain state agencies; requires that state agencies pay the costs in a timely manner; establishes an account into which costs paid by state agencies under the recovery plan and from federal sources for costs associated with federal programs are to be deposited; eliminates statutory language stating that the board of investments will deduct from investment earnings certain program costs incurred by an agency.

ASSUMPTIONS:
1. Under the current law, the board of investments will collect approximately $200,000 each fiscal year from state special revenue accounts which retain interest for deposit to the general fund.
2. Under the proposed law, the department of administration (DoA) will collect $342,737 in FY94 and $686,830 in FY95 from, generally, all nongeneral fund state sources.
3. Under both current law and the proposed law, federal indirect cost recoveries will be approximately $500,000 in each fiscal year. Actual cash deposits of federal cost recoveries generally lag by one year. Cash deposits received in FY94 for FY93 have already been made to the general fund. For clarity, the revenue figures shown below reflect cash available for appropriations.
4. The general fund savings shown below assumes reductions in general fund appropriations, replaced with state special revenue authority, in HB 2. Appropriations for DoA-Personnel do not include amounts for the personal services contingency fund. Appropriations for DoA-Accounting reflect 0.25 FTE in FY94 and 0.50 FTE each year thereafter for implementation and oversight of indirect cost recoveries.
5. The indirect cost recovery account will require a short term "bridge" loan of $170,000 for cash flow purposes between FY94 and FY95. This cash flow imbalance is expected to be a one-time occurrence.

FISCAL IMPACT:

(continued on next page)

David Lewis 11-25
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

MARY LOU PETERSON, PRIMARY SPONSOR DATE

FISCAL IMPACT: (continued)

Expenditures:	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
DoA-Accounting						
FTE	21.83	22.08	0.25	21.83	22.33	0.50
Personal Services	694,290	703,208	8,918	706,794	724,986	18,192
Operating Expenses	358,968	359,468	500	308,506	309,006	500
Equipment	4,297	5,797	1,500	2,801	2,801	0
Total Costs	1,057,555	1,068,473	10,918	1,018,101	1,036,793	18,692
General Fund	961,776	784,057	(177,719)	921,159	567,669	(353,490)
State Special	0	188,637	188,637	0	372,182	372,182
Federal Special	30,301	30,301	0	30,667	30,667	0
Proprietary Fund	65,478	65,478	0	66,275	66,275	0
Total Funding	1,057,555	1,068,473	10,918	1,018,101	1,036,793	18,692
DoA-Personnel						
General Fund	1,062,439	862,694	(199,745)	1,049,443	652,143	(397,300)
State Special	0	199,745	199,745	0	397,300	397,300
Total Funding	1,062,439	1,062,439	0	1,049,443	1,049,443	0
OBPP						
General Fund	796,880	672,525	(124,355)	786,084	538,736	(247,348)
State Special	0	124,355	124,355	0	247,348	247,348
Total Funding	796,880	796,880	0	786,084	786,084	0
Revenues:						
General Fund						
Federal Cost Recovery	500,000	500,000	0	500,000	0	(500,000)
State Funds Cost Recovery	200,000	0	(200,000)	200,000	0	(200,000)
Total	700,000	500,000	(200,000)	700,000	0	(700,000)
Indirect Cost Recovery Account						
Federal Cost Recovery	0	0	0	0	500,000	500,000
State Funds Cost Recovery	0	342,737	342,737	0	686,830	686,830
Total	0	342,737	342,737	0	1,186,830	1,186,830

(continued)

FISCAL IMPACT: (continued)

Net Impact:	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
General Fund	(2,121,095)	(1,819,276)	301,819	(2,056,686)	(1,758,548)	298,138
Indirect Cost Recovery Acct	0	(170,000)	(170,000)	0	170,000	170,000

LONG RANGE EFFECTS OF PROPOSED LEGISLATION:
Greater central management of indirect cost recoveries is likely to increase recovery of general fund costs from federal sources. The amount of any increase is inestimable at this time due to lack of uniform data regarding federal indirect cost recoveries.

DEDICATION OF REVENUE:

a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (Please explain)

No. The assessments are designed to be in approximate proportion to the workload associated with each nongeneral fund program which pays the assessment.

b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

Use of a state special revenue fund creates relatively strong incentives to fully recover indirect costs and clarifies in the budgeting process the extent to which indirect costs are recovered.

c) Is the source of revenue relevant to current use of the funds and adequate to fund the program/activity that is intended? __X__ Yes ____ No (if no, explain)

d) Does the need for this state special revenue provision still exist? __X__ Yes
____ No (Explain)

Yes, to the extent that the legislation is passed and approved.

(continued)

DEDICATION OF REVENUE: (continued)

e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please explain)

The dedicated revenue will not distort budget priorities to the extent that it is used to directly replace general fun appropriations. Furthermore, the legislation provides that any unappropriated fund balance shall revert to the genera fund at the end of each biennium.

f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please explain)

Yes, to the extent that the legislation is passed and approved (see "b" above)

g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

Use of a state special revenue account for collection of indirect cost recoveries will create a marginal increase in accounting workload. However, because the administering agency will have incentives to maximize recovery of general fund costs, these additional costs are justified by potential general fund savings. If indirect cost recoveries were deposited to the general fund, there would be a tendency for the collections to become decentralized given competing priorities.

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0021, as introduced (REVISED).

DESCRIPTION OF PROPOSED LEGISLATION:
Clarifies the duties of the department of administration to annually prepare a state funds indirect cost recovery plan for certain state agencies; requires that state agencies pay the costs in a timely manner; establishes an account into which costs paid by state agencies under the recovery plan and from federal sources for costs associated with federal programs are to be deposited; eliminates statutory language stating that the board of investments will deduct from investment earnings certain program costs incurred by an agency.

ASSUMPTIONS:
1. Under the current law, the board of investments will collect approximately $200,000 each fiscal year from state special revenue accounts which retain interest for deposit to the general fund.
2. Under the proposed law, the department of administration (DoA) will collect $309,583 in FY94 and $620,794 in FY95 from. generally, all nongeneral fund state sources. This revised fiscal note reflects a reduction of $33,154 in FY 1994 and $66,036 in assessments applicable to the University System.
3. Under both current law and the proposed law, federal indirect cost recoveries will be approximately $500,000 in each fiscal year. Actual cash deposits of federal cost recoveries generally lag by one year. Cash deposits received in FY94 for FY93 have already been made to the general fund. For clarity, the revenue figures shown below reflect cash available for appropriations.
4. The general fund savings shown below assumes reductions in general fund appropriations, replaced with state special revenue authority, in HB 2. Appropriations for DoA-Personnel do not include amounts for the personal services contingency fund. Appropriations for DoA-Accounting reflect 0.25 FTE in FY94 and 0.50 FTE each year thereafter for implementation and oversight of indirect cost recoveries.
5. The indirect cost recovery account will require a short term "bridge" loan of $150,000 for cash flow purposes between FY94 and FY95. This cash flow imbalance is expected to be a one-time occurrence.

FISCAL IMPACT:

(continued on next page)

David Lewis 12-3
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Mary Lou Peterson 12-4-93
MARY LOU PETERSON, PRIMARY SPONSOR DATE

FISCAL IMPACT: (continued)

Expenditures:	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
DoA-Accounting						
FTE	21.83	22.08	0.25	21.83	22.33	0.50
Personal Services	694,290	703,208	8,918	706,794	724,986	18,192
Operating Expenses	358,968	359,468	500	308,506	309,006	500
Equipment	4,297	5,797	1,500	2,801	2,801	0
Total Costs	1,057,555	1,068,473	10,918	1,018,101	1,036,793	18,692
General Fund	961,776	824,223	(137,553)	921,159	629,262	(291,897)
State Special	0	148,471	148,471	0	310,589	310,589
Federal Special	30,301	30,301	0	30,667	30,667	0
Proprietary Fund	65,478	65,478	0	66,275	66,275	0
Total Funding	1,057,555	1,068,473	10,918	1,018,101	1,036,793	18,692
DoA-Personnel						
General Fund	1,062,439	864,470	(197,969)	1,049,443	629,338	(420,105)
State Special	0	197,969	197,969	0	420,105	420,105
Total Funding	1,062,439	1,062,439	0	1,049,443	1,049,443	0
OBPP						
General Fund	796,880	683,736	(113,144)	786,084	545,984	(240,100)
State Special	0	113,144	113,144	0	240,100	240,100
Total Funding	796,880	796,880	0	786,084	786,084	0

Revenues:

General Fund						
Federal Cost Recovery	500,000	500,000	0	500,000	0	(500,000)
State Funds Cost Recovery	200,000	0	(200,000)	200,000	0	(200,000)
Total	700,000	500,000	(200,000)	700,000	0	(700,000)
Indirect Cost Recovery Account						
Federal Cost Recovery	0	0	0	0	500,000	500,000
State Funds Cost Recovery	0	309,583	309,583	0	620,794	620,794
Total	0	309,583	309,583	0	1,120,794	1,120,794

(continued)

FISCAL IMPACT: (continued)

Net Impact:	FY '94	FY '95
General Fund	248,666	252,102
Indirect Cost Recovery Acct	(150,000)	170,000

LONG RANGE EFFECTS OF PROPOSED LEGISLATION:
Greater central management of indirect cost recoveries is likely to increase recovery of general fund costs from federal sources. The amount of any increase is inestimable at this time due to lack of uniform data regarding federal indirect cost recoveries.

DEDICATION OF REVENUE:

a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (Please explain)

No. The assessments are designed to be in approximate proportion to the workload associated with each nongeneral fund program which pays the assessment.

b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

Use of a state special revenue fund creates relatively strong incentives to fully recover indirect costs and clarifies in the budgeting process the extent to which indirect costs are recovered.

c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? __X__ Yes ____ No (if no, explain)

d) Does the need for this state special revenue provision still exist? __X__ Yes
____ No (Explain)

Yes, to the extent that the legislation is passed and approved.

(continued)

DEDICATION OF REVENUE: (continued)

e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please explain)

The dedicated revenue will not distort budget priorities to the extent that it is used to directly replace general fund appropriations. Furthermore, the legislation provides that any unappropriated fund balance shall revert to the general fund at the end of each biennium.

f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please explain)

Yes, to the extent that the legislation is passed and approved (see "b" above)

g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

Use of a state special revenue account for collection of indirect cost recoveries will create a marginal increase in accounting workload. However, because the administering agency will have incentives to maximize recovery of general fund costs, these additional costs are justified by potential general fund savings. If indirect cost recoveries were deposited to the general fund, there would be a tendency for the collections to become decentralized given competing priorities.

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
53rd LEGISLATURE - SPECIAL SESSION

COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN TOM ZOOK**, on December 1, 1993, at 8:30 a.m.

ROLL CALL

Members Present:

Rep. Tom Zook, Chairman (R)
Rep. Ed Grady, Vice Chairman (R)
Rep. Francis Bardanouve (D)
Rep. Ernest Bergsagel (R)
Rep. John Cobb (R)
Rep. Roger Debruycker (R)
Rep. Marj Fisher (R)
Rep. John Johnson (D)
Rep. Royal Johnson (R)
Rep. Mike Kadas (D)
Rep. Betty Lou Kasten (R)
Rep. Red Menahan (D)
Rep. Linda Nelson (D)
Rep. Ray Peck (D)
Rep. Mary Lou Peterson (R)
Rep. Joe Quilici (D)
Rep. Dave Wanzenried (D)
Rep. Bill Wiseman (R)

Members Excused: None

Members Absent: None

Staff Present: Sandy Whitney, Legislative Fiscal Analyst
Cathy Kelley, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: HB 2
HB 5
HB 20
HB 21

Executive Action: HB 2 (not final)

instructors. **REP. WISEMAN** asked why the state couldn't grandfather everyone who is teaching the course now, which would probably be 90-95% of the instructors. He felt the department's figures were too high.

REP. PETERSON asked **REP. MILLS** if he had actual knowledge of any attempts to cut out the driver's ed program. **REP. MILLS** replied that the program was on the list of possible cuts prepared by the administration. **REP. PETERSON** asked **REP. MILLS** if he was hearing enough rumors of cutting driver's education that he felt it was eventually going to happen. He said that everything that could be done to change funding from state to private would be done, if not now, sooner or later.

REP. PECK said that he supported family responsibility and privatization in principle. His concern was whether the quality control and supervision of the program would be there. **REP. MILLS** said he felt there had been a lot of testimony implying that the Department of Justice couldn't be trusted to run the driver's ed program, yet they are trusted to administer driver's license examinations. He felt we should be able to depend upon the Department of Justice to monitor the program and assure the people of Montana of qualified teachers. **REP. PECK** said he felt the bill left open the quality of instructors. **REP. MILLS** said the bill put the responsibility on the Department of Justice.

REP. FISHER asked **REP. MILLS** why the committee couldn't just cut the funding and leave the program under the supervision of OPI. **REP. MILLS** said he would be willing to accept that. His impression from reading a newspaper article quoting **Superintendent Keenan** was that OPI would rather not oversee the program. **REP. MILLS** did not care who oversaw the program; he wanted it well run and privately paid for.

Closing by Sponsor: **REP. MILLS** said that the experience of the state of Nebraska showed that privatization could work. He reiterated that it was not his intention to put the Department of Justice on trial. He felt that his bill did not stop the driver's education program; it just took the amount of money the state pays.

HEARING ON HOUSE BILL 21

Opening Statement by Sponsor:

REP. MARY LOU PETERSON, House District 1, Eureka, opened by deferring to the Department of Administration to fully explain the bill.

Proponents' Testimony:

Lois Menzies, Director, Department of Administration, said that this bill had two components: to implement the State Funds Cost Allocation Plan (SFCAP) and to increase cost coverage of the

existing Statewide Cost Allocation Plan (SWCAP). **EXHIBITS 4 and 5** She noted that this plan is similar to what many departments already do on an internal basis to allocate administrative costs. The plan offers an alternative to across the board cuts in nongeneral fund agencies.

Opponents' Testimony:

Rod Sundsted, Associate Commissioner for Fiscal Affairs, Montana University System, testified that he did not like the current trend of shifting costs from the state to the agencies. The University System has more and more fixed costs and this trend gives them less flexibility.

He also brought up the fairness issue of interest earnings on agency accounts. In the University System, under this legislation, they would be transferring costs to auxiliary funds, which are basically the student accounts, and to designated funds, which are course fees, etc. The state currently keeps the interest on those designated funds. It is estimated that on the University of Montana alone, the state earns $150,000 interest per year off those designated accounts. This legislation asks the U of M to pay for approximately $50,000 worth of services. He felt that the university is already providing more in interest than any cost it would be incurring.

Jim Todd, Vice President, Administration & Finance, University of Montana, said that the proposed system is similar to a process already in place at the University of Montana. They do insure that all designated and auxiliary accounts pay their fair share of the cost of operation and administration of the institution. They are concerned about the impact on the University of Montana. The base year being used in **EXHIBIT 5** was the first year trying to reduce the number of accounts at the University of Montana.

They are concerned about the effect the cost allocation plan would have on their designated accounts. Interest earnings on those accounts go to the general fund. Auxiliary accounts accrue their own interest and should be potential candidates for inclusion in the cost allocation plan. He felt that the University should either be able to retain its interest earnings on designated accounts and proceed with the cost allocation plan, or the state should dispense with the cost allocation plan and continue to take the interest earnings.

Mr. Todd testified that the University was concerned about the early implementation of this plan. It would go into effect this year and would mean an additional $26,000 in costs to the U of M. which has not been budgeted for. They believe they would have to pass these additional costs on to the students.

Questions from Committee Members and Responses:

REP. FISHER asked **Ms. Menzies** to respond to the opponents'

testimony. **Ms. Menzies** said that the legislature should look closely at the funds that do retain interest and those that do not retain interest and make an independent determination as to whether that is good public policy. She believes that issue is separate from this proposed legislation.

REP. WISEMAN asked **Ms. Menzies** why the University of Montana's costs were about 70% higher than Montana State University's. **Ms. Menzies** replied that was due mainly to SBAS transactions and is directly tied to the number of accounts the University has. She deferred to **Connie Griffith, Administrator, Accounting and Management Support Division, Department of Administration,** for further explanation.

Ms. Griffith explained that the system used by the University of Montana requires transactions to be made in a certain way. They must use approximately twice as many transactions as Montana State University. They are in the process of adjusting their accounting system so that this doubling of effort will be eliminated. **REP. WISEMAN** asked if there was an accounting department at the U of M that taught ways to be more efficient in accounting. **Ms. Griffith** replied that the problem wasn't the accounting itself, but the system's computer requirements and how it meshed with SBAS. **REP. WISEMAN** asked how long that cumbersome system had been in existence. **Ms. Griffith** was not sure.

REP. KADAS asked if the spreadsheet, **EXHIBIT 5,** was a combination of the two programs. **Ms. Griffith** said that it was strictly SFCAP. **REP. KADAS** wanted to know if there was a similar spreadsheet for SWCAP. **Ms. Griffith** said that each agency negotiates separately with their federal agency how much in direct costs they will be able to recover in their federal programs. The state does not know at this point how much that is. The amount that has come in to date is approximately $500,000. The agencies are told their total cost for SWCAP and then they negotiate with their federal agency.

REP. KADAS asked **Ms. Griffith** how cost allocation per agency is decided. **Ms. Griffith** said that each cost center had a different allocation basis. She said that for SBAS, they took the total number of transactions through SBAS for each agency and then allocated to them a budget for that agency based on their percentage of total transactions. They then allocated that total amount by funding source, i.e. general funds, federal funds, nonrecoverable funds, to determine how much would not be recovered under the plan. In the case of the transactions, they would then go to the number of transactions that were in the general fund and take a percentage out for that agency. Then, the federal special revenue and deduct that, and then any nonrecoverable funds.

REP. KADAS said then if the agency had a big budget but relatively few nongeneral fund transactions, then the agency would have a small cost allocation. If it had a small budget,

but large transactions, then there would be a sizeable cost allocation. **Ms. Griffith** said for SBAS that could potentially happen. In the case of the Accounting and Financial Reporting Section, where the cost allocation was based on total expenditures, there would be a different allocation basis. **REP. KADAS** asked if it was the number of expenditures, not the total amount of expenditures that was the basis for **Ms. Griffith's** costs. She said that each center differs. **REP. KADAS** asked if what cost DOA money was dependent on the number of transactions, regardless of the size of the agency's budget. **Ms. Griffith** said that was correct. **REP. KADAS** wanted to know why they based it strictly on number of transactions as opposed to transactions as a portion of the agency's budget. **Ms. Griffith** recapped her previous explanation.

REP. KADAS asked **Mr. Sundsted** to distinguish between designated accounts and auxiliary accounts. **Mr. Sundsted** said the auxiliary accounts are based on the student accounts, i.e. housing, dining, activities. Designated accounts are generally such things as computer operations, some course fees, etc. They are like proprietary accounts. **REP. KADAS** asked when the interest on the designated accounts started flowing into the general fund. **Mr. Sundsted** said that had been occurring since before his time.

REP. ROYAL JOHNSON asked **Ms. Menzies** to further explain her response to **REP. FISHER. Ms. Menzies** said she felt that perhaps a separate policy needed to be made regarding accounts that retain their interest. The amount of interest that some accounts gives back into the general fund has no relationship to the amount of services those agencies request. **REP. ROYAL JOHNSON** felt that DOA had established charges based on the transactions from the accounts and he wondered why the department would not be willing, if the account generated interest, to deduct the amount of interest paid into the general fund from the charge against that account. **Ms. Menzies** said that she hadn't analyzed that option.

CHAIRMAN ZOOK said there was an exception for the indirect costs collected by the university system. He wondered what the indirect costs were. **Ms. Menzies** replied that her understanding was when university units negotiated with federal agencies, they kept any indirect costs they recovered. This bill maintains the status quo.

REP. ROYAL JOHNSON asked **Ms. Menzies** how the state bookkeeping system kept track of indirect costs recovered by the university system. **Ms. Menzies** deferred to **Rod Sundsted** who said they were included in the state accounting system.

<u>Closing by Sponsor</u>:

REP. PETERSON closed by saying costs would not always be the same. As agencies look at their costs, they'll be motivated to keep costs down.

HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE

ROLL CALL DATE 12/1/93

NAME	PRESENT	ABSENT	EXCUSED
REP. ED GRADY, VICE CHAIRMAN			✓
REP. FRANCIS BARDANOUVE	✓		
REP. ERNEST BERGSAGEL	✓		
REP. JOHN COBB	✓		
REP. ROGER DE BRUYCKER	✓		
REP. MARJORIE FISHER	✓		
REP. JOHN JOHNSON	✓		
REP. ROYAL JOHNSON	✓		
REP. MIKE KADAS	✓		
REP. BETTY LOU KASTEN	✓		
REP. WM. "RED" MENAHAN	✓		
REP. LINDA NELSON	✓		
REP. RAY PECK	✓		
REP. MARY LOU PETERSON	✓		
REP. JOE QUILICI	✓		
REP. DAVE WANZENRIED	✓		
REP. BILL WISEMAN	✓		
REP. TOM ZOOK, CHAIRMAN	✓		

HR:1993
wp.rollcall.man

EXHIBIT 4
DATE 12/1/93
HB 21
APPROPRIATIONS

INCREASED RECOVERY OF GENERAL FUND COSTS FOR STATEWIDE SERVICES

Prepared by Department of Administration
November 17, 1993

I. State Funds Cost Allocation Plan (SFCAP)

- Purpose: to spread costs of providing certain general government services to nongeneral fund and nonfederal fund programs
- Allocates portion of prospective costs of operating OBPP and DofA's Accounting and State Personnel Divisions
- Accounts assessed indirect costs: state special revenue, proprietary, expendable trust, pension trust
  - Accounts not assessed: general fund, federal funds, nonrecoverable funds
- Allocation based on indirect measures of workload generated by each agency in even-numbered base year
- Amounts collected deposited into state special revenue account
  - Funds to operate programs appropriated from the account
  - Unappropriated fund balance reverted to general fund
- Each agency determines from which source(s) (other than general, federal fund types) assessments will be paid
- Estimated general fund replacement:
  - $343,000 in FY94
  - $687,000 in FY95
- Expands state special revenue cost allocation plan approved by 1987 Legislature
  - Authorized recovery of costs from state special revenue accounts that retained interest earnings
- Similar to method used to fund warrant writer and state payroll programs

(OVER)

II. Statewide Cost Allocation Plan (SWCAP)

- Currently, portion of indirect costs of certain statewide services are recovered through SWCAP
- SWCAP, developed by DofA, allocates indirect costs to each state agency
- Agencies must negotiate with federal agencies from which they receive funds to recover indirect costs
- SWCAP collections for FY92: approx. $500,000
- Incentive to aggressively negotiate for recovery of indirect costs is lacking
- Under executive proposal:
    - SWCAP collections would be deposited into same state special revenue account as SFCAP collections
        - -- Exception: indirect costs collected by units of university system
    - Creates incentive for DofA to maximize recovery because DofA's programs are funded in part through SWCAP collections

Costs associated with SFCAP/SWCAP proposal:

- 0.25 FTE in FY94 and 0.50 FTE in FY95 and thereafter
- Duties of position:
    - Develop annual SFCAP
    - Assist in preparing SWCAP
    - Assist agencies in implementing SFCAP
    - Monitor compliance with both plans

EXHIBIT 5
DATE 2/1/93
HB 21
APPROPRIATIONS

FY94 TOTAL DISTRIBUTED COSTS
Revised 22-Nov-93

Agy#	Agency Name	OBPP		ACCTG & MGMT SUPP			PERSONNEL (D of A)			Subtotal Distributed Costs	DoA Admin	FY94 Assessment
		PosCntl	PP/DP	SSU	APFRS	Treas	Adm/Pol	Class	LabRel			
1101	Legislative Auditor	164	282	201	59	37	900	0	0	1,643	13	835
1102	Leg Fiscal Analyst	0	0	0	0	0	0	0	0	0	0	0
1104	Legislative Council	0	232	122	48	26	0	0	0	428	3	217
1109	Legislature - Senate	0	0	0	0	0	0	0	0	0	0	0
1110	Legislature - House	0	0	0	0	0	0	0	0	0	0	0
1111	EQC	0	2	11	0	7	0	0	0	20	0	10
1112	Consumer Council	20	132	49	27	15	109	0	0	352	3	179
2110	Judiciary	82	222	189	45	178	451	0	0	1,167	9	593
2115	MT Chiro Legal Panel	0	2	4	0	3	0	0	0	9	0	5
3101	Governor's Office	1	4	7	1	0	5	5	0	23	0	12
3201	Secretary of State	63	111	207	23	34	347	307	0	1,092	9	555
3202	Comm of Pol Pract	0	0	0	0	0	0	0	0	0	0	0
3401	State Auditor's Office	52	142	93	29	16	286	253	0	871	7	443
3501	Supt. of Pub Instruct	129	338	434	72	169	707	626	0	2,475	20	1,258
3511	Billings voTech	0	71	486	15	224	0	113	0	909	7	462
3512	Butte VoTech	0	60	126	12	73	0	97	0	368	3	187
3513	Great Falls VoTech	0	218	294	45	168	0	366	0	1,091	9	554
3514	Helena VoTech	0	60	203	12	144	0	110	0	529	4	269
3515	Missoula VoTech	0	162	511	34	243	0	273	0	1,223	10	621
4107	Crime Control	17	131	123	27	46	90	80	0	514	4	261
4108	Highway Traffic Safety	2	15	29	3	5	12	10	0	76	1	39
4110	Justice	1,777	3,413	1,508	708	1,339	9,719	8,616	3,829	30,909	250	15,705
4201	PSC	2	4	13	1	4	11	10	0	45	0	23
5101	Bd of Pub Ed	10	18	41	4	17	56	50	0	196	2	100
5102	Comm of Higher Ed	0	2,441	122	414	46	3	2	0	3,028	24	1,538
5103	University of Montana	0	2,143	40,028	445	12,914	0	2,171	0	57,701	467	29,317
5104	Montana State University	0	6,197	12,372	1,286	8,703	0	5,470	0	34,028	275	17,289
5105	Montana Tech	0	373	1,081	77	634	0	279	0	2,444	20	1,242
5106	Eastern Montana College	0	1,505	4,556	312	2,375	0	1,322	0	10,070	81	5,116
5107	Northern Montana College	0	865	1,509	179	920	0	462	0	3,935	32	1,999
5108	Western Montana College	0	527	1,160	109	680	0	306	0	2,782	23	1,414
5109	Ag Exper Station	0	201	272	42	125	0	0	0	640	5	325
5110	Coop Ext Service	0	444	468	92	265	0	0	0	1,269	10	645
5111	For & Cons Exper Statn	0	0	0	0	0	0	0	0	0	0	0
5113	School for Deaf and Blind	0	40	3	6	0	0	0	0	49	0	25
5114	Montana Arts Council	8	142	243	29	81	46	41	0	590	5	300
5115	Library Commission	28	154	172	32	57	154	136	0	733	6	372
5116	Adv Council for Voc Ed	0	0	0	0	0	0	0	0	0	0	0
5117	Historical Society	41	141	670	29	519	227	201	0	1,828	15	929
5119	Fire Serv Trng School	0	0	39	1	35	0	0	0	75	1	38
5201	Fish, Wildlife & Parks	1,945	5,293	15,298	1,079	4,518	10,641	9,433	2,221	50,428	408	25,622
5301	Health	792	3,918	4,005	572	2,039	4,335	3,843	2,589	22,093	179	11,225
5401	Transportation	7,257	31,383	13,426	6,520	8,967	39,702	35,197	27,764	170,216	1,377	86,485
5501	State Lands	758	1,034	1,535	214	686	4,144	3,674	125	12,170	98	6,183
5603	Livestock	445	849	1,574	176	1,036	2,435	2,159	0	8,674	70	4,407
5706	Natural Resources	562	1,523	3,040	300	1,046	3,072	2,724	0	12,267	99	6,233
5801	Revenue	293	7,291	7,968	1,513	4,261	1,610	1,428	487	24,851	201	12,627
6101	Administration	1,138	16,009	5,836	3,378	1,728	6,224	5,517	882	40,712	329	20,685
6103	State Fund	1,044	26,709	2,562	5,541	1,415	5,709	0	4,020	47,000	380	23,880
6104	PERD	94	263	1,166	3,731	524	513	455	356	7,102	57	3,608
6105	TRS	54	142	521	2,853	316	295	262	0	4,443	36	2,257
6107	LRBP	0	1,165	555	326	95	0	0	0	2,141	17	1,088
6201	Agriculture	300	1,411	1,807	260	779	1,641	1,455	759	8,412	68	4,274
6401	Correctns & Human Serv	435	1,736	2,565	360	987	2,378	2,108	1,951	12,520	101	6,361
6501	Commerce	1,215	23,233	5,167	4,912	2,175	6,645	5,891	0	49,238	398	25,017
6602	Labor and Industry	826	1,847	1,860	361	500	4,519	4,006	3,041	16,960	137	8,617
6701	Adjutant General	0	2	18	1	16	0	0	0	37	0	19
6901	SRS	735	3,041	3,700	631	550	4,020	3,563	2,805	19,045	154	9,677
6911	Family Services	169	629	238	130	128	927	822	414	3,457	28	1,756
	TOTAL	20,458	148,270	140,187	37,076	61,868	111,933	103,843	51,243	674,878	5,459	342,898

FY95 TOTAL DISTRIBUTED COSTS
Revised 22-Nov-93

Agy#	Agency Name	OBPP PosCntl	OBPP PP/DP	ACCTG&MGMT SUPP SSU	ACCTG&MGMT SUPP APERS	ACCTG&MGMT SUPP Treas	PERSONNEL(D of A) Adm/Pol	PERSONNEL(D of A) Class	PERSONNEL(D of A) LabRel	Subtotal Distributed Costs	DoA Admin	FY95 Assessment
1101	Legislative Auditor	162	279	200	59	38	915	0	0	1,653	23	1,676
1102	Leg Fiscal Analyst	0	0	0	0	0	0	0	0	0	0	0
1104	Legislative Council	0	229	122	49	26	0	0	0	426	6	432
1109	Legislature – Senate	0	0	0	0	0	0	0	0	0	0	0
1110	Legislature – House	0	0	0	0	0	0	0	0	0	0	0
1111	EQC	0	2	11	0	7	0	0	0	20	0	20
1112	Consumer Council	20	130	49	28	15	111	0	0	353	5	358
2110	Judiciary	81	219	188	46	180	459	0	0	1,173	16	1,189
2115	MT Chiro Legal Panel	0	2	4	0	3	0	0	0	9	0	9
3101	Governor's Office	1	4	7	1	0	5	5	0	23	0	23
3201	Secretary of State	63	110	207	23	35	352	312	0	1,102	15	1,117
3202	Comm of Pol Pract	0	0	0	0	0	0	0	0	0	0	0
3401	State Auditor's Office	52	140	93	30	17	290	257	0	879	12	891
3501	Supt. of Pub Instruct	127	333	433	73	171	718	637	0	2,492	34	2,526
3511	Billings voTech	0	70	485	15	227	0	115	0	912	13	925
3512	Butte VoTech	0	59	126	12	74	0	99	0	370	5	375
3513	Great Falls VoTech	0	215	293	46	170	0	373	0	1,097	15	1,112
3514	Helena VoTech	0	59	197	13	145	0	112	0	526	7	533
3515	Missoula VoTech	0	160	510	34	245	0	278	0	1,227	17	1,244
4107	Crime Control	16	130	122	28	46	92	81	0	515	7	522
4108	Highway Traffic Safety	2	15	29	3	5	12	10	0	76	1	77
4110	Justice	1,753	3,368	1,505	715	1,355	9,881	8,760	3,893	31,230	430	31,660
4201	PSC	2	4	13	1	4	11	10	0	45	1	46
5101	Bd of Pub Ed	10	17	41	4	17	57	51	0	197	3	200
5102	Comm of Higher Ed	0	2,409	122	418	46	5	2	0	3,002	41	3,043
5103	University of Montana	0	2,115	39,950	449	13,071	0	2,208	0	57,793	797	58,590
5104	Montana State University	0	6,116	12,348	1,299	8,808	0	5,561	0	34,132	470	34,602
5105	Montana Tech	0	368	1,079	78	642	0	284	0	2,451	34	2,485
5106	Eastern Montana College	0	1,486	4,547	315	2,404	0	1,344	0	10,096	139	10,235
5107	Northern Montana College	0	854	1,506	181	931	0	469	0	3,941	54	3,995
5108	Western Montana College	0	520	1,158	110	688	0	311	0	2,787	38	2,825
5109	Ag Exper Station	0	198	272	42	126	0	0	0	638	9	647
5110	Coop Ext Service	0	438	467	93	268	0	0	0	1,266	17	1,283
5111	For & Cons Exper Statn	0	0	0	0	0	0	0	0	0	0	0
5113	School for Deaf and Blind	0	40	3	6	0	0	0	0	49	1	50
5114	Montana Arts Council	8	140	242	30	82	46	41	0	589	8	597
5115	Library Commission	28	152	172	32	58	156	138	0	736	10	746
5116	Adv Council for Voc Ed	0	0	0	0	0	0	0	0	0	0	0
5117	Historical Society	41	139	668	30	525	230	204	0	1,837	25	1,862
5119	Fire Serv Trng School	0	0	39	1	35	0	0	0	75	1	76
5201	Fish, Wildlife & Parks	1,920	5,224	15,268	1,090	4,573	10,819	9,591	2,258	50,743	699	51,442
5301	Health	782	3,867	3,998	578	2,064	4,408	3,907	2,633	22,237	307	22,544
5401	Transportation	7,163	30,974	13,400	6,587	9,076	40,366	35,786	28,229	171,581	2,365	173,946
5501	State Lands	748	1,020	1,532	217	694	4,214	3,735	127	12,287	169	12,456
5603	Livestock	439	838	1,571	178	1,049	2,476	2,195	0	8,746	121	8,867
5706	Natural Resources	554	1,503	3,035	303	1,059	3,124	2,769	0	12,347	170	12,517
5801	Revenue	291	7,196	7,952	1,528	4,313	1,637	1,451	495	24,863	343	25,206
6101	Administration	1,123	15,800	5,825	3,413	1,749	6,328	5,610	896	40,744	562	41,306
6103	State Fund	1,030	26,360	2,557	5,598	1,433	5,805	0	4,087	46,870	646	47,516
6104	PERD	93	260	1,164	3,769	531	522	463	362	7,164	99	7,263
6105	TRS	53	140	520	2,883	320	300	266	0	4,482	62	4,544
6107	LRBP	0	1,150	554	330	96	0	0	0	2,130	29	2,159
6201	Agriculture	296	1,392	1,804	263	788	1,669	1,480	771	8,463	117	8,580
6401	Correctns & Human Serv	429	1,714	2,560	364	999	2,418	2,144	1,984	12,612	174	12,786
6501	Commerce	1,199	22,930	5,157	4,962	2,202	6,756	5,989	0	49,195	678	49,873
6602	Labor and Industry	815	1,823	1,856	365	506	4,594	4,073	3,092	17,124	236	17,360
6701	Adjutant General	0	2	18	1	17	0	0	0	38	1	39
6901	SRS	725	3,001	3,693	637	556	4,087	3,623	2,851	19,173	264	19,437
6911	Family Services	167	621	237	132	130	942	835	421	3,485	48	3,533
	TOTAL	20,193	146,335	139,909	37,462	62,619	113,805	105,579	52,099	678,001	9,346	687,347

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
53rd LEGISLATURE - SPECIAL SESSION

COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN TOM ZOOK**, on December 6, 1993, at 8:00 a.m.

ROLL CALL

Members Present:

Rep. Tom Zook, Chairman (R)
Rep. Ed Grady, Vice Chairman (R)
Rep. Francis Bardanouve (D)
Rep. Ernest Bergsagel (R)
Rep. John Cobb (R)
Rep. Roger Debruycker (R)
Rep. Marj Fisher (R)
Rep. John Johnson (D)
Rep. Royal Johnson (R)
Rep. Mike Kadas (D)
Rep. Betty Lou Kasten (R)
Rep. Red Menahan (D)
Rep. Linda Nelson (D)
Rep. Ray Peck (D)
Rep. Mary Lou Peterson (R)
Rep. Joe Quilici (D)
Rep. Dave Wanzenried (D)
Rep. Bill Wiseman (R)

Members Excused: None

Members Absent: None

Staff Present: Clayton Schenck, Legislative Fiscal Analyst
Cathy Kelley, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing:	HB 39	
	HB 41	
	HB 50	
Executive Action:	HB 5	Tabled
	HB 21	Do Pass As Amended
	HB 30	Do Pass As Amended

need. **REP. PAVLOVICH** had no problem with that.

REP. QUILICI thought school financing should remain in the bill.

CHAIRMAN ZOOK asked **REP. PAVLOVICH** for a synopsis of what the Treasure State Endowment program did to the coal tax trust fund. **REP. PAVLOVICH** deferred to **REP. KADAS,** who said that the Treasure State Endowment takes part of the flow that goes to the trust, keeps it in the trust, but puts it in another sub-fund and redirects the interest on that sub-fund. Before the Treasure State Endowment, almost all the interest went to the general fund. Some was diverted for water bonds. Now just the interest is diverted for Treasure State Endowment programs which primarily help local governments. **REP. KADAS** said he did not object to diverting some of the interest generated by the trust to be used for maintenance. He did object to using the principle, which was what this bill proposed.

CHAIRMAN ZOOK said it seemed to be fine to use our coal tax trust to help cities and counties maintain their sewers, deal with safety problems, etc., and he agreed with that. We seem unwilling to use monies that are directed towards the coal tax trust fund for maintenance of our facilities. It appeared to **CHAIRMAN ZOOK** that we were more worried about the problems that cities and counties were having and are overlooking our own responsibility toward state facilities.

REP. PAVLOVICH said you could do the same thing off this bill -- take that money and use the interest off it for the same purpose.

REP. KADAS reiterated that he would not oppose setting up an account that directs some of the interest for maintenance. He said this bill spends principle and he was opposed to that. He pointed out there was a major difference between the way the Treasure State Endowment Program works and this bill.

REP. BERGSAGEL asked **REP. KADAS** if it would require a 3/4 vote to set up a program like the Treasure State Endowment to fund state building maintenance. **REP. KADAS** replied that it would not if only the interest were dedicated.

Closing by Sponsor: **REP. PAVLOVICH** closed.

EXECUTIVE ACTION ON HOUSE BILL 21

Motion: **REP. PETERSON MOVED HB 21 DO PASS.**

Motion/Vote: **REP. PETERSON MOVED TECHNICAL AMENDMENT EXHIBIT 6. Motion carried unanimously.**

Motion/Vote: **REP. PETERSON MOVED HB 21 DO PASS AS AMENDED. Motion carried unanimously.**

Motion: **REP. KADAS MOVED HB 30 DO PASS.**

HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE

ROLL CALL DATE 12/06/93

NAME	PRESENT	ABSENT	EXCUSED
REP. ED GRADY, VICE CHAIRMAN	X		
REP. FRANCIS BARDANOUVE	X		
REP. ERNEST BERGSAGEL	X		
REP. JOHN COBB	X		
REP. ROGER DE BRUYCKER	X		
REP. MARJORIE FISHER	X		
REP. JOHN JOHNSON	X		
REP. ROYAL JOHNSON	X		
REP. MIKE KADAS	X		
REP. BETTY LOU KASTEN	X		
REP. WM. "RED" MENAHAN	X		
REP. LINDA NELSON	X		
REP. RAY PECK	X		
REP. MARY LOU PETERSON	X		
REP. JOE QUILICI	X		
REP. DAVE WANZENRIED	X		
REP. BILL WISEMAN	X		
REP. TOM ZOOK, CHAIRMAN	X		

HR:1993
wp.rollcall.man
CS-09

HOUSE STANDING COMMITTEE REPORT

December 7, 1993

Mr. Speaker: We, the committee on **Appropriations** report that **House Bill 21** (first reading copy -- white) **do pass as amended**.

Signed: Tom Zook
Tom Zook, Chair

And, that such amendments read:

1. Page 7, line 16.
Following: "of each biennium"
Insert: ", subject to [section 3(1)(b)]"

-END-

Committee Vote:
Yes 18, No 0.

080854SC.Hcr

12-7-93
10:30

MINUTES

MONTANA SENATE
53rd LEGISLATURE - SPECIAL SESSION

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By Senator Judy Jacobson, Chair, on December 13, 1993, at 9:40 a.m.

ROLL CALL

Members Present:

Sen. Judy Jacobson, Chair (D)
Sen. Eve Franklin, Vice Chair (D)
Sen. Gary Aklestad (R)
Sen. Tom Beck (R)
Sen. Don Bianchi (D)
Sen. Chris Christiaens (D)
Sen. Gerry Devlin (R)
Sen. Gary Forrester (D)
Sen. Ethel Harding (R)
Sen. Bob Hockett (D)
Sen. Greg Jergeson (D)
Sen. Tom Keating (R)
Sen. J.D. Lynch (D)
Sen. Chuck Swysgood (R)
Sen. Daryl Toews (R)
Sen. Larry Tveit (R)
Sen. Eleanor Vaughn (D)
Sen. Mignon Waterman (D)
Sen. Cecil Weeding (D)

Members Excused: Senator Fritz

Members Absent: None

Staff Present: Clayton Schenck, Legislative Fiscal Analyst
Lynn Staley, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:
Hearing: HB 7, HB 21, HB 33, HB 34, SJR 2, SB 50
Executive Action: None

HEARING ON HOUSE BILL 7

Opening Statement by Sponsor:

Representative Tom Zook, House District 25, sponsor, said the

Senator Keating said if everything started at the base it would be more simple to understand.

Clayton Schenck, LFA, said the base is not defined in statute but has been something the budget office and the LFA have agreed that it is using actual figures out of the state budget and accounting system without revising them. The only thing they do is exclude certain items from that base, and there was $2.6 billion spent in the base that was used to derive the 1995 biennium. They excluded to get that down to $1.5 billion, which excluded continuing and statutory appropriations, budget amendments, etc. The numbers actually used for the base are figures from the statewide budget and accounting system. He added they have always been able to reach an agreement on the starting base, but that would now become the emphasis and what is being compared from in HB 7.

Senator Aklestad questioned if the word "required" could be taken out because it could be construed as requiring them to spend money.

Mr. Lewis said he would agree with Senator Aklestad, and that is what they are trying to accomplish by clarifying that in the final language.

Senator Jacobson suggested substituting the word "proposed" for "required".

Closing by Sponsor:

Senator Jacobson closed for Representative Zook.

HEARING ON HOUSE BILL 21

Opening Statement by Sponsor:

Representative Mary Lou Peterson, House District 1, sponsor, said HB 21 deals with capturing recovery costs through the Department of Administration.

Proponents' Testimony:

Lois Menzies, Director, Department of Administration distributed a handout that she said would help simplify the concept. (Exhibit 1) Ms. Menzies said HB 21 deals with two components. It creates a State Fund Cost Allocation Plan and modifies the existing Statewide Cost Allocation Plan. She also distributed a handout for FY 94 and FY 95 Total Distributed Costs. (Exhibit 2) The SFCAP would require nongeneral and nonfederal fund programs to contribute to the cost of general government services which are currently funded through the general fund. Under the SWCAP, state law requires federally funded agencies to negotiate with federal agencies to recover indirect costs of certain statewide

services.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

When asked by Senator Forrester what the Legislative Finance Committee said about this proposal, Senator Jacobson said there was no presentation made.

Senator Forrester said this would impact SB 378 which Senator Grosfield carried. He questioned if general fund money was being taken away and replaced with state special money, and Senator Jacobson said that was correct.

Senator Forrester said as he sees it, we are taking the general fund money, which is now appropriated for the agencies, into the budget reduction portion of the plan and in turn charging agencies some more. He questioned if the legislature has already appropriated the money.

Rep. Peterson said various services have been done under general fund money and certain agencies haven't been contributing. She noted there should be some capture mechanism so all agencies pay their share, whether it be computer costs, personnel costs, etc.

Senator Forrester asked why the agencies don't just revert the money rather than trying to fix the budget problem.

Rep. Peterson said what HB 21 attempts to do is fairly charge out those costs the agencies are using. It does not say which section of their budget they must use but is allowing the agency to make that decision. She agreed there are many ways to handle a problem, but this seems to be a very fair way of allocating those costs.

Senator Forrester said this bill is a budget fix as much as anything as well as a cost shift.

Senator Swysgood asked Ms. Menzies if the indirect costs associated with supplying services to an agency that is 99 percent general fund are paid by general fund money.

Ms. Menzies said yes.

Senator Swysgood asked if House Bill 21 is saying they can do something else.

Ms. Menzies said an agency that is close to 100 percent general funded would not be assessed anything under this plan. They would be taking the money out of the general fund to fund the centralized services she is speaking of. There will now be a

dual funding source for these programs; general fund as well as state special revenue.

Senator Swysgood said if we give agencies money to operate their budget, whether 100 percent general fund or whatever, most of their costs associated with indirect cost payments come from money appropriated to them, a lot of which is general fund. He does not understand where there is a general fund savings that is indicated.

Ms. Menzies said they are replacing general fund money with money collected from nongeneral fund sources. The cost centers are 100 percent general funded. Now, based on workload measurements assessing nongeneral fund agencies and nonfederal fund agencies for those costs, that money will come into a state special revenue account and will be used in lieu of general funds to pay for services.

Senator Jacobson said in some cases it won't be just nongeneral fund sources; some general fund would be recovered if the agency chooses to give back general fund.

Ms. Menzies said it would be prohibited that they would not be allowed to pay back with general fund or federal funds. Federal funds are collected through the statewide cost allocation plan.

Senator Swysgood asked if there would be some agencies packing the load for general fund agencies.

Ms. Menzies said no, they are not asking the nongeneral funded agencies to subsidize the general funded agencies.

Senator Swysgood said he didn't recall giving the Fish, Wildlife and Parks general fund money to pay indirect costs, and wondered what was happening.

Ms. Menzies said they weren't paying anything. Those services were 100 percent funded through general fund. The money was appropriated from the general fund.

Senator Hockett said he did not understand all the abbreviations shown on Exhibit 2 and would appreciate a list showing what they referred to.

Ms. Menzies explained the abbreviations used on the exhibit and said she would supply Senator Hockett with a list.

Senator Weeding questioned why this wasn't done in the subcommittee earlier.

Ms. Menzies said this isn't a new idea and if HB 21 doesn't pass, there is a mechanism they intended on implementing which was approved in the 1987 legislature. However, they do not think that is the best way and concluded that HB 21 is the fair way to

approach the situation.

Senator Keating asked if this was allowing them to charge their indirect costs against all the other agencies offsetting general fund.

Ms. Menzies said it is not their indirect costs; it is the costs for them to provide the services.

Senator Keating said the same thing was done with federal money in the last four or five sessions, whereby they have been reducing state appropriations to certain departments, using federal monies to cover those indirect costs.

Ms. Menzies said that was correct. They believe it will be a true reflection of the costs of providing programs by including the indirect costs.

Senator Keating said it is all our money, and asked if it mattered how it was accounted for. He questioned if agencies would ask for more general fund money so they can pay them through the proprietary account.

Ms. Menzies said that is a possibility, but looking at the totals it is probably something that can be absorbed by the agency.

Senator Keating said the Department of Administration provides services for a department that is state special revenue for the most part, and now that agency will pay indirect costs to the Department of Administration out of state special so the general fund appropriation can be reduced. However, they would have to increase their state special appropriation in order to pay the indirect costs. He questioned where they would get the money and if they increase their fees, the taxpayers are not saving any money.

Ms. Menzies said costs would be assessed to people who use those services.

Senator Keating said the accounting for the money would be more specific since it would reflect fees for service.

Senator Swysgood questioned if they were asking for 3/4 FTE.

Ms. Menzies said yes, it will be a new program and they do not have a person at this time.

Senator Forrester said the summary on page 43 says there will be a significant fund balance available for transfer to the general fund, and asked Ms. Menzies why people are being charged too much to start out with.

Ms. Menzies said she was not sure what it refers to, but at the end of the biennium they would be making adjustments.

Connie Griffith said in the LFA analysis there is a fund balance; there is no cash left. The cash would come into the next biennium and will be spent from there. They are anticipating adjustments because they are using budgeted figures. There would be an adjustment of matching budget to actual, and there would be an adjustment to make sure what they are recovering is the actual cost of the operations of the cost centers, not just the budgeted amount.

Senator Forrester asked why the LFA would feel there would be a significant fund balance available for transfer to the general fund.

John Moe, LFA, said the SWCAP revenues, which is federal recoveries, were going into the general fund. This proposal would take that from the general fund and put it in the state special. The SBCAP proposal would take the new recoveries from the nongeneral, nonfederal fund sources and deposit those into the state special. His analysis showed there would be, in terms of fund balance, a significant excess of money at the end of the biennium. After he discussed that with the budget office, they changed the bill to provide that whatever excess was available at the end of the year would be transferred to the general fund. The question still exists as to what the cash flow would be and he thinks that has been addressed in some of the analysis. In terms of a cash fund balance, there wouldn't be a significant amount, depending on what the cash flow is into that new state special account.

Senator Forrester asked if the assumption Mr. Moe has made is now incorrect.

Mr. Moe said at the end of the biennium there would still be a significant balance, but the bill has addressed that by saying that amount would be transferred to the general fund.

Senator Forrester asked what he would consider significant.

Mr. Moe said he thinks the balance in the table was about $400,000 and that was based on the numbers used in the budget office analysis at that time. There were greater collections in SWCAP than were estimated in that analysis. It looked like it could be as much as $700,000. Whatever the balance would be is transferred to the general fund.

Closing by Sponsor:

Representative Peterson closed on House Bill 21. She said all the money they deal with in budgeting is tax money and they are trying to make a cleaner concept of how those services are funded. Agencies are not opposing this because they understand the concept. The bill should give greater recoveries in indirect costs where in certain areas that has been ignored. She said this is a better plan than across the board cuts.

ROLL CALL

SENATE COMMITTEE FINANCE & CLAIMS DATE 12/13/93

NAME	PRESENT	ABSENT	EXCUSED
SENATOR JACOBSON	✓		
SENATOR FRANKLIN	✓		
SENATOR AKLESTAD	✓		
SENATOR BECK	✓		
SENATOR BIANCHI	✓		
SENATOR CHRISTIAENS	✓		
SENATOR DEVLIN	✓		
SENATOR FORRESTER	✓		
SENATOR FRITZ			✓
SENATOR HARDING	✓		
SENATOR HOCKETT	✓		
SENATOR JERGESON	✓		
SENATOR KEATING	✓		
SENATOR LYNCH	✓		
SENATOR SWYSGOOD	✓		
SENATOR TOEWS	✓		
SENATOR TVEIT	✓		
SENATOR VAUGHN	✓		
SENATOR WATERMAN	✓		
SENATOR WEEDING	✓		

Attach to each day's minutes

ROLLCALL.F08

TESTIMONY ON HOUSE BILL NO. 21 (PETERSON)

Submitted by Lois Menzies, Director
Department of Administration
December 13, 1993

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 1
DATE 12/13/93
BILL NO. HB 21

I. State Funds Cost Allocation Plan (SFCAP)

- Requires nongeneral & nonfederal fund programs to contribute to the costs of general government services (now funded through general fund)
- Services to be funded under allocation plan:
  - OBPP: position control and program planning
  - DofA's Accounting: SBAS support, accounting/financial reporting, treasury
  - DofA's State Personnel: personnel policy, classification, labor relations
- Allocation of costs based on workload generated by each agency in even-numbered base year. Examples of workload measurements:
  - OBPP position control: number of FTE on PPP
  - SBAS support: number of SBAS transactions
  - Personnel classification: number of classified FTE
- Accounts assessed indirect costs: state special revenue, proprietary, expendable trust, pension trust
  - Accounts not assessed: general fund, federal funds, nonrecoverable funds
- Assessments deposited into a state special revenue account
  - Funds to operate programs appropriated from the account
  - Unappropriated fund balance reverted to general fund
- Agencies determine from which source(s) (other than general, federal fund types) assessments will be paid
- Estimated general fund replacement: $310,000 in FY94; $621,000 in FY95
- Expands state special revenue cost allocation plan approved by 1987 Legislature
  - Authorized recovery of costs from state special revenue accounts that retained interest earnings
- Similar to method used to fund warrant writer and state payroll programs

(OVER)

EXHIBIT
12-13-93
HB 21

II. Statewide Cost Allocation Plan (SWCAP)

- State law requires federally-funded agencies to negotiate with federal agencies to recover indirect costs of certain statewide services
- Mechanism used to allocate costs to agencies: SWCAP
- SWCAP collections for FY92: approx. $500,000
- Incentive to aggressively negotiate for recovery of indirect costs is lacking
- Under HB 21:
  - SWCAP collections would be deposited into same state special revenue account as SFCAP collections
    - -- Exception: indirect costs collected by units of university system
  - Creates incentive for DofA to maximize recovery because DofA's programs are funded in part through SWCAP collections

Cost of implementing HB 21:

- 0.25 FTE in FY94 and 0.50 FTE in FY95 and thereafter
- Duties of position:
  - Develop annual SFCAP
  - Assist in preparing SWCAP
  - Assist agencies in implementing SFCAP
  - Monitor compliance with both plans

FY94 TOTAL DISTRIBUTED COSTS
Revised 03-Dec-93

Agy#	Agency Name	OBPP		DoA Accounting			DoA Personnel			Subtotal Distributed Costs	DoA Admin	FY94 Assessment
		PosCntl	PP/DP	SSU	APERS	Treasury	Adm/Pol	Class	LabRel			
1101	Legislative Auditor	164	282	201	59	37	900	0	0	1,643	13	835
1102	Leg Fiscal Analyst	0	0	0	0	0	0	0	0	0	0	0
1104	Legislative Council	0	232	122	48	26	0	0	0	428	3	217
1109	Legislature - Senate	0	0	0	0	0	0	0	0	0	0	0
1110	Legislature - House	0	0	0	0	0	0	0	0	0	0	0
1111	EQC	0	2	11	0	7	0	0	0	20	0	0
1112	Consumer Council	20	132	49	27	15	109	0	0	352	3	179
2110	Judiciary	82	222	189	45	178	451	0	0	1,167	9	593
2115	MT Chiro Legal Panel	0	2	4	0	3	0	0	0	9	0	0
3101	Governor's Office	1	4	7	1	0	5	5	0	23	0	0
3201	Secretary of State	63	111	207	23	34	347	307	0	1,092	9	555
3202	Comm of Pol Pract	0	0	0	0	0	0	0	0	0	0	0
3401	State Auditor's Office	52	142	93	29	16	286	253	0	871	7	443
3501	Supt. of Pub Instruct	129	338	434	72	169	707	626	0	2,475	20	1,258
3511	Billings voTech	0	71	486	15	224	0	113	0	909	7	462
3512	Butte VoTech	0	60	126	12	73	0	97	0	368	3	187
3513	Great Falls VoTech	0	218	294	45	168	0	366	0	1,091	9	555
3514	Helena VoTech	0	60	203	12	144	0	110	0	529	4	269
3515	Missoula VoTech	0	162	511	34	243	0	273	0	1,223	10	622
4107	Crime Control	17	131	123	27	46	90	80	0	514	4	261
4108	Highway Traffic Safety	2	15	29	3	5	12	10	0	76	1	0
4110	Justice	1,777	3,413	1,508	708	1,339	9,719	8,616	3,829	30,909	250	15,705
4201	PSC	2	4	13	1	4	11	10	0	45	0	0
5101	Bd of Pub Ed	10	18	41	4	17	56	50	0	196	2	100
5102	Comm of Higher Ed	0	2,441	122	414	46	3	2	0	3,028	24	1,538
5103	University of Montana	0	0	15,563	445	6,653	0	2,171	0	24,832	467	12,883
5104	Montana State University	0	0	4,684	545	3,499	0	5,470	0	14,198	275	7,374
5105	Montana Tech	0	0	522	77	348	0	279	0	1,226	20	633
5106	Eastern Montana College	0	0	2,152	284	1,090	0	1,322	0	4,848	81	2,505
5107	Northern Montana College	0	0	822	125	573	0	462	0	1,982	32	1,023
5108	Western Montana College	0	0	635	63	372	0	306	0	1,376	23	711
5109	Ag Exper Station	0	0	64	20	24	0	0	0	108	5	59
5110	Coop Ext Service	0	0	0	5	0	0	0	0	5	10	0
5111	For & Cons Exper Statn	0	0	0	0	0	0	0	0	0	0	0
5113	School for Deaf and Blind	0	40	3	6	0	0	0	0	49	0	0
5114	Montana Arts Council	8	142	243	29	81	46	41	0	590	5	300
5115	Library Commission	28	154	172	32	57	154	136	0	733	6	373
5116	Adv Council for Voc Ed	0	0	0	0	0	0	0	0	0	0	0
5117	Historical Society	41	141	670	29	519	227	201	0	1,828	15	929
5119	Fire Serv Trng School	0	0	39	1	35	0	0	0	75	1	0
5201	Fish, Wildlife & Parks	1,945	5,293	15,298	1,079	4,518	10,641	9,433	2,221	50,428	408	25,622
5301	Health	792	3,918	4,005	572	2,039	4,335	3,843	2,589	22,093	179	11,226
5401	Transportation	7,257	31,383	13,426	6,520	8,967	39,702	35,197	27,764	170,216	1,377	86,485
5501	State Lands	758	1,034	1,535	214	686	4,144	3,674	125	12,170	98	6,183
5603	Livestock	445	849	1,574	176	1,036	2,435	2,159	0	8,674	70	4,407
5706	Natural Resources	562	1,523	3,040	300	1,046	3,072	2,724	0	12,267	99	6,233
5801	Revenue	293	7,291	7,968	1,513	4,261	1,610	1,428	487	24,851	201	12,627
6101	Administration	1,138	16,009	5,836	3,378	1,728	6,224	5,517	882	40,712	329	20,685
6103	State Fund	1,044	26,709	2,562	5,541	1,415	5,709	0	4,020	47,000	380	23,880
6104	PERD	94	263	1,166	3,731	524	513	455	356	7,102	57	3,608
6105	TRS	54	142	521	2,853	316	295	262	0	4,443	36	2,258
6107	LRBP	0	1,165	555	326	95	0	0	0	2,141	17	1,088
6201	Agriculture	300	1,411	1,807	260	779	1,641	1,455	759	8,412	68	4,274
6401	Correctns & Human Serv	435	1,736	2,565	360	987	2,378	2,108	1,951	12,520	101	6,361
6501	Commerce	1,215	23,233	5,167	4,912	2,175	6,645	5,891	0	49,238	398	25,017
6602	Labor and Industry	826	1,847	1,860	361	500	4,519	4,006	3,041	16,960	137	8,617
6701	Adjutant General	0	2	18	1	16	0	0	0	37	0	0
6901	SRS	735	1,461	3,660	303	533	4,020	3,563	2,805	17,080	154	8,694
6911	Family Services	169	629	238	130	128	927	822	414	3,457	28	1,757
	TOTAL	20,458	134,435	103,143	35,770	47,794	111,933	103,843	51,243	608,619	5,455	309,583

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 2
DATE 1/13/93
BILL NO. HB 21

FY95 TOTAL DISTRIBUTED COSTS

Revised 03-Dec-93

Agy#	Agency Name	OBPP		DoA Accounting			DoA Personnel			Subtotal Distributed Costs	DoA Admin	FY95 Assessment
		PosCntl	PP/DP	SSU	APFRS	Treasury	Adm/Pol	Class	LabRel			
1101	Legislative Auditor	162	279	200	59	38	915	0	0	1,653	23	1,676
1102	Leg Fiscal Analyst	0	0	0	0	0	0	0	0	0	0	0
1104	Legislative Council	0	229	122	49	26	0	0	0	426	6	432
1109	Legislature – Senate	0	0	0	0	0	0	0	0	0	0	0
1110	Legislature – House	0	0	0	0	0	0	0	0	0	0	0
1111	EQC	0	2	11	0	7	0	0	0	20	0	0
1112	Consumer Council	20	130	49	28	15	111	0	0	353	5	358
2110	Judiciary	81	219	188	46	180	459	0	0	1,173	16	1,189
2115	MT Chiro Legal Panel	0	2	4	0	3	0	0	0	9	0	0
3101	Governor's Office	1	4	7	1	0	5	5	0	23	0	0
3201	Secretary of State	63	110	207	23	35	352	312	0	1,102	15	1,117
3202	Comm of Pol Pract	0	0	0	0	0	0	0	0	0	0	0
3401	State Auditor's Office	52	140	93	30	17	290	257	0	879	12	891
3501	Supt. of Pub Instruct	127	333	433	73	171	718	637	0	2,492	34	2,526
3511	Billings voTech	0	70	485	15	227	0	115	0	912	13	925
3512	Butte VoTech	0	59	126	12	74	0	99	0	370	5	375
3513	Great Falls VoTech	0	215	293	46	170	0	373	0	1,097	15	1,112
3514	Helena VoTech	0	59	197	13	145	0	112	0	526	7	533
3515	Missoula VoTech	0	160	510	34	245	0	278	0	1,227	17	1,244
4107	Crime Control	16	130	122	28	46	92	81	0	515	7	522
4108	Highway Traffic Safety	2	15	29	3	5	12	10	0	76	1	0
4110	Justice	1,753	3,368	1,505	715	1,355	9,881	8,760	3,893	31,230	430	31,660
4201	PSC	2	4	13	1	4	11	10	0	45	1	0
5101	Bd of Pub Ed	10	17	41	4	17	57	51	0	197	3	200
5102	Comm of Higher Ed	0	2,409	122	418	46	5	2	0	3,002	41	3,043
5103	University of Montana	0	0	15,532	449	6,733	0	2,208	0	24,922	797	25,719
5104	Montana State University	0	0	4,675	550	3,542	0	5,561	0	14,328	470	14,798
5105	Montana Tech	0	0	521	78	353	0	284	0	1,236	34	1,270
5106	Eastern Montana College	0	0	2,148	287	1,103	0	1,344	0	4,882	139	5,021
5107	Northern Montana College	0	0	820	126	580	0	469	0	1,995	54	2,049
5108	Western Montana College	0	0	634	64	377	0	311	0	1,386	38	1,424
5109	Ag Exper Station	0	0	64	20	24	0	0	0	108	9	117
5110	Coop Ext Service	0	0	0	5	0	0	0	0	5	17	0
5111	For & Cons Exper Statn	0	0	0	0	0	0	0	0	0	0	0
5113	School for Deaf and Blind	0	40	3	6	0	0	0	0	49	1	0
5114	Montana Arts Council	8	140	242	30	82	46	41	0	589	8	597
5115	Library Commission	28	152	172	32	58	156	138	0	736	10	746
5116	Adv Council for Voc Ed	0	0	0	0	0	0	0	0	0	0	0
5117	Historical Society	41	139	668	30	525	230	204	0	1,837	25	1,862
5119	Fire Serv Trng School	0	0	39	1	35	0	0	0	75	1	0
5201	Fish, Wildlife & Parks	1,920	5,224	15,268	1,090	4,573	10,819	9,591	2,258	50,743	699	51,442
5301	Health	782	3,867	3,998	578	2,064	4,408	3,907	2,633	22,237	307	22,544
5401	Transportation	7,163	30,974	13,400	6,587	9,076	40,366	35,786	28,229	171,581	2,365	173,946
5501	State Lands	748	1,020	1,532	217	694	4,214	3,735	127	12,287	169	12,456
5603	Livestock	439	838	1,571	178	1,049	2,476	2,195	0	8,746	121	8,867
5706	Natural Resources	554	1,503	3,035	303	1,059	3,124	2,769	0	12,347	170	12,517
5801	Revenue	291	7,196	7,952	1,528	4,313	1,637	1,451	495	24,863	343	25,206
6101	Administration	1,123	15,800	5,825	3,413	1,749	6,328	5,610	896	40,744	562	41,306
6103	State Fund	1,030	26,360	2,557	5,598	1,433	5,805	0	4,087	46,870	646	47,516
6104	PERD	93	260	1,164	3,769	531	522	463	362	7,164	99	7,263
6105	TRS	53	140	520	2,883	320	300	266	0	4,482	62	4,544
6107	LRBP	0	1,150	554	330	96	0	0	0	2,130	29	2,159
6201	Agriculture	296	1,392	1,804	263	788	1,669	1,480	771	8,463	117	8,580
6401	Correctns & Human Serv	429	1,714	2,560	364	999	2,418	2,144	1,984	12,612	174	12,786
6501	Commerce	1,199	22,930	5,157	4,962	2,202	6,756	5,989	0	49,195	678	49,873
6602	Labor and Industry	815	1,823	1,856	365	506	4,594	4,073	3,092	17,124	236	17,360
6701	Adjutant General	0	2	18	1	17	0	0	0	38	1	0
6901	SRS	725	1,442	3,653	306	539	4,087	3,623	2,851	17,226	264	17,490
6911	Family Services	167	621	237	132	130	942	835	421	3,485	48	3,533
	TOTAL	20,193	132,681	102,936	36,143	48,376	113,805	105,579	52,099	611,812	9,344	620,794

MINUTES

MONTANA SENATE
53rd LEGISLATURE - SPECIAL SESSION

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By Senator Judy Jacobson, Chair, on December 17, 1993, at 9:45 a.m., Room 108.

ROLL CALL

Members Present:

Sen. Judy Jacobson, Chair (D)
Sen. Eve Franklin, Vice Chair (D)
Sen. Gary Aklestad (R)
Sen. Tom Beck (R)
Sen. Don Bianchi (D)
Sen. Chris Christiaens (D)
Sen. Gerry Devlin (R)
Sen. Gary Forrester (D)
Sen. Harry Fritz (D)
Sen. Ethel Harding (R)
Sen. Bob Hockett (D)
Sen. Greg Jergeson (D)
Sen. Tom Keating (R)
Sen. J.D. Lynch (D)
Sen. Chuck Swysgood (R)
Sen. Daryl Toews (R)
Sen. Larry Tveit (R)
Sen. Eleanor Vaughn (D)
Sen. Cecil Weeding (D)

Members Excused: Senator Waterman

Members Absent: None

Staff Present: Clayton Schenck, Legislative Fiscal Analyst
Lynn Staley, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: SB 53
Executive Action: SB 53, HB 21

HEARING ON SENATE BILL 53

Opening Statement by Sponsor:

Senator Greg Jergeson, sponsor, said SB 53 would delay the

effective date of the ad hoc supplemental payments to be made to the retirees of the state retirement systems, the teachers' retirement system and the volunteer firefighters' retirement system. He noted there is concern that the effective date is not correct on SB 38, and that SB 53 will show the effective date being July 1, 1995 as was intended in the Senate.

Proponents' Testimony:

None.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

When questioned by Senator Beck regarding passage of SB 38, Senator Jergeson said SB 53 would only be effective if SB 38 passed.

Senator Aklestad questioned the necessity of having this changed.

Senator Jergeson said the legislative auditor expressed concern relative to this. He added in response to a question from Senator Aklestad that as he understands it, the fiscal note for SB 38 is not correct.

Relative to state retirement systems, Senator Jergeson said the bill could be amended so that payments would occur in September. Now the payments would occur in June which would put it in this biennium. He concluded that this is a back-up bill to make sure that the obligation will occur in the next biennium.

Closing by Sponsor:

Senator Jergeson closed on SB 53.

EXECUTIVE ACTION ON SB 53

Motion/Vote: Senator Jergeson moved that SB 53 DO PASS. Motion CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON HB 21

Motion/Vote: Senator Lynch moved that HB 21 AS AMENDED BE CONCURRED IN. (Amendment marked as Exhibit 1 and approved by committee on December 15, 1993). Motion CARRIED UNANIMOUSLY.

ROLL CALL

SENATE COMMITTEE FINANCE & CLAIMS DATE 12/17/93

NAME	PRESENT	ABSENT	EXCUSED
SENATOR JACOBSON	✓		
SENATOR FRANKLIN	✓		
SENATOR AKLESTAD	✓		
SENATOR BECK	✓		
SENATOR BIANCHI	✓		
SENATOR CHRISTIAENS	✓		
SENATOR DEVLIN	✓		
SENATOR FORRESTER	✓		
SENATOR FRITZ	✓		
SENATOR HARDING	✓		
SENATOR HOCKETT	✓		
SENATOR JERGESON	✓		
SENATOR KEATING	✓		
SENATOR LYNCH	✓		
SENATOR SWYSGOOD	✓		
SENATOR TOEWS	✓		
SENATOR TVEIT	✓		
SENATOR VAUGHN	✓		
SENATOR WATERMAN			✓
SENATOR WEEDING	✓		

Attach to each day's minutes

ROLLCALL.F08

SENATE STANDING COMMITTEE REPORT

December 17, 1993

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration House Bill No. 21 (third reading copy -- blue), respectfully report that House Bill No. 21 be amended as follows and as so amended be concurred in.

Signed: Judy H Jacobson
Senator Judy H. Jacobson, Chair

That such amendments read:

1. Title, lines 10 through 13.
Following: "MANNER;" on line 10
Strike: "ESTABLISHING" through "DEPOSITED;" on line 13

2. Page 2, lines 4 and 5.
Following: "in the" on line 4
Strike: "account" on line 4 through "[section 4]" on line 5
Insert: "general fund"

3. Page 6, line 15.
Strike: "(a)"

4. Page 6, line 18.
Strike: "and by the account established in [section 4]"

5. Page 6, lines 20 through 22.
Strike: lines 20 through 22 in their entirety

6. Page 7, line 2.
Strike: "account established in [section 4]"
Insert: "general fund"

7. Page 7, lines 3 through 16.
Strike: section 4 in its entirety
Renumber: subsequent sections

8. Page 7, line 18.
Strike: "Sections"
Insert: "Section"
Strike: "and 4"
Strike: "are"
Insert: "is"

9. Page 7, line 20.
Strike: "sections"
Insert: "section"
Strike: "and 4"

m- Amd. Coord.
SB Sec. of Senate

Sen. Tveit
Senator Carrying Bill

171147SC.Sma

Explanation: This amendment removes the provisions relating to use of a state special revenue account and provides that the SWCAP and SFCAP collections be deposited to the general fund.

-END-

HB 21-1

Approved

Amendments to House Bill No. 21
Third Reading Copy

Requested by Senator _____
For the Committee on Senate Finance and Claims

Prepared by Jon Moe
December 14, 1993

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 1
DATE 12/17/93
BILL NO. HB 21

1. Title, lines 10 through 13.
Following: "MANNER;" on line 10
Strike: "ESTABLISHING" through "DEPOSITED;" on line 13

2. Page 2, lines 4 and 5.
Following: "in the" on line 4
Strike: "account" on line 4 through "[section 4]" on line 5
Insert: "general fund"

3. Page 6, line 15.
Strike: "(a)"

4. Page 6, line 18.
Strike: "and by the account established in [section 4]"

5. Page 6, lines 20 through 22.
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Strike: "account established in [section 4]"
Insert: "general fund"

7. Page 7, lines 3 through 16.
Strike: section 4 in its entirety
Renumber: subsequent sections

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Strike: "Sections"
Insert: "Section"
Strike: "and 4"
Strike: "are"
Insert: "is"

EXHIBIT
12-17-93
HB 21

9. Page 7, line 20.
Strike: "sections"
Insert: "section"
Strike: "and 4"

Explanation: This amendment removes the provisions relating to use of a state special revenue account and provides that the SWCAP and SFCAP collections be deposited to the general fund.

{Office of Legislative Fiscal Analyst 444-2986}

HOUSE BILL NO. 21

INTRODUCED BY PETERSON

BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION

AND THE OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE DUTIES OF THE DEPARTMENT OF ADMINISTRATION TO ANNUALLY PREPARE A STATE INDIRECT COST RECOVERY PLAN FOR CERTAIN STATE AGENCIES; REQUIRING THAT STATE AGENCIES PAY THE INDIRECT COSTS IN A TIMELY MANNER; ~~ESTABLISHING AN ACCOUNT INTO WHICH AMOUNTS PAID BY STATE AGENCIES UNDER THE RECOVERY PLAN AND AMOUNTS FROM FEDERAL SOURCES FOR COSTS ASSOCIATED WITH FEDERAL PROGRAMS ARE TO BE DEPOSITED;~~ ELIMINATING THE REQUIREMENT THAT THE BOARD OF INVESTMENTS DEDUCT FROM INVESTMENT EARNINGS CERTAIN PROGRAM COSTS INCURRED BY AN AGENCY; AMENDING SECTIONS 17-3-111 AND 17-6-201, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 17-3-111, MCA, is amended to read:

"**17-3-111. Indirect cost rates -- allocation.** (1) Grantee agencies shall, in accordance with federal regulations and guidelines, negotiate indirect cost rates and endeavor, to the fullest extent possible, to recover indirect costs of federal assistance programs.

(2) Indirect costs recovered from federal sources pursuant to the statewide cost allocation plan provided in 17-3-110, except those costs recovered by a unit of the university system, must be deposited in the account ~~established in [section 4]~~ GENERAL FUND."

Section 2. Section 17-6-201, MCA, is amended to read:

"**17-6-201. Unified investment program -- general provisions.** (1) The unified investment program directed by Article VIII, section 13, of the 1972 Montana constitution to be provided for public funds must be administered by the board of investments in accordance with the prudent expert principle, which requires any investment manager to:

(a) discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims;

(b) diversify the holdings of each fund within the unified investment program to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and

(c) discharge the duties solely in the interest of and for the benefit of the funds forming the unified investment program.

(2) (a) Retirement funds may be invested in common stocks of any corporation, ~~provided~~ except that an investment may not be made at any time that would cause the book value of the investments in any retirement fund to exceed 50% of the book value of the fund or would cause the stock of one corporation to exceed 2% of the book value of the retirement fund.

(b) Other public funds may not be invested in private corporate capital stock. "Private corporate capital stock" means only the common stock of a corporation.

(3) (a) This section does not prevent investment in any business activity in Montana, including activities that continue existing jobs or create new jobs in Montana.

(b) The board is urged under the prudent expert principle to invest up to 3% of retirement funds in venture capital companies. Whenever possible, preference should be given to investments in those venture capital companies that demonstrate an interest in making investments in Montana.

(c) In discharging its duties, the board shall consider the preservation of purchasing power of capital during periods of high monetary inflation.

(d) The board may not make a direct loan to an individual borrower. The purchase of a loan or a portion of a loan originated by a financial institution is not considered a direct loan.

(4) The board has the primary authority to invest state funds. Except as provided in this chapter, another agency may not invest state funds, unless otherwise provided by law. The board shall direct the investment of state funds in accordance with the laws and constitution of this state. The board has the power to veto any investments made under its general supervision.

(5) The board shall:

(a) assist agencies with public money to determine if, when, and how much surplus cash is available for investment;

(b) determine the amount of surplus treasury cash to be invested;

(c) determine the type of investment to be made;

(d) prepare the claim to pay for the investment; and

(e) keep an account of the total of each investment fund and of all the investments belonging to the fund and a record of the participation of each treasury fund account in each investment fund.

(6) The board may:

(a) execute deeds of conveyance transferring all real property obtained through foreclosure of any investments purchased under the provisions of 17-6-211 when full payment has been received for the property;

(b) direct the withdrawal of any funds deposited by or for the state treasurer pursuant to 17-6-101 and 17-6-105;

(c) direct the sale of any securities in the program at their full and true value when found necessary to raise money for payments due from the treasury funds for which the securities have been purchased;

(d) expend funds needed to cover costs of necessary repairs to property owned by the board as an investment. The expenditures may be made directly by the board and are statutorily appropriated, as provided in 17-7-502. Repairs that cost in excess of $2,500 must be bid, and the bid must be awarded in compliance with existing state law and regulations. Emergency repairs may be made by the board without bid if approved by the state architect.

(7) The cost of administering and accounting for each investment fund must be deducted from the income from each fund.

(8) At the beginning of each fiscal year, the board shall, from the appropriate fund, reimburse the department of commerce for the costs of administering programs established under Title 90, chapter 3, that are not covered by payback funds available from the account established in 90-3-305.

~~(9)--(a)-The----director----of----the----department---of administration--annually--may--prepare--a---statewide---cost allocation--plan--to--distribute--program--costs-incurred-by state-agencies-that-are-funded-through-the-general--fund--to~~

~~the--programs--served-by-the-agencies.--Except-as-provided-in subsection-(9)(b),--the--cost--to--an--agency--of--providing services-to-a-program-funded-through-an-account-in-the-state special--revenue--fund,--as--defined--in--17-2-102,--must-be deducted-by-the-board-from-the-account's-investment-earnings according-to-the-statewide--cost--allocation--plan.--Amounts deducted-by-the-board-must-be-credited-to-the-general-fund.~~

~~(b)--A--deduction--for--program--costs,--as--provided-in subsection-(9)(a),-may-not-be-made-if-an-account's--cash--on hand--is--pooled-for-investment-in-the-treasury-cash-account defined-in-17-6-202.~~"

NEW SECTION. **Section 3.** State indirect cost recovery plan. (1) The department shall annually prepare a state indirect cost recovery plan.

~~(a)~~ The state indirect cost recovery plan must provide that the general government program costs that are indirectly incurred by agencies and that are funded by the general fund ~~and-by-the-account-established-in-(section-4)~~ be allocated among the agencies served by those programs.

~~(b)--When-preparing-the--state--indirect--cost--recovery plan,--the-department-shall-consider-the-balance-of-funds-in the-account-established-in-(section-4).~~

(2) Agencies required to pay costs under the state indirect cost recovery plan shall make payments in four equal installments, due no later than October 1, January 1,

March 1, and June 1 of each fiscal year, by depositing the payments into the ~~account established in [section 4]~~ GENERAL FUND.

~~NEW SECTION. Section 4. Account established for indirect costs recovered for operation of state and federal programs. (1) There is an account in the state special revenue fund for money recovered from agencies under the state indirect cost recovery plan pursuant to [section 3] and money recovered from federal sources under the statewide cost allocation plan pursuant to 17-3-111.~~

~~(2) The money in this account must be used as appropriated by the legislature to pay for operating the programs included in the indirect cost recovery plan described in [section 3].~~

~~(3) The department shall deposit the unappropriated fund balance in the account to the general fund at the end of each biennium. SUBJECT TO [SECTION 3(1)(B)].~~

NEW SECTION. **Section 4.** Codification instruction. ~~[Sections~~ SECTION 3 ~~and 4]~~ are IS intended to be codified as an integral part of Title 17, chapter 1, and the provisions of Title 17, chapter 1, apply to ~~[sections~~ SECTION 3 ~~and 4]~~.

NEW SECTION. **Section 5.** Effective date. [This act] is effective on passage and approval.

-End-